

## Industrial Special Indemnity Fund

*Fourth Quarter Report*

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*Calendar Year 2006*

*Fiscal Year 2007*



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***Industrial Special Indemnity Fund (ISIF) – Fourth Quarter Report for Calendar Year 2007  
pursuant to Idaho Code §72-324.***

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## BENEFITS

### *Annuitant Periodic Benefits*

Annuitant benefits are paid to individuals who have been awarded or have negotiated a settlement for periodic monthly benefits. Benefits are paid based on a percentage of the applicable state average weekly wage for year of benefit, the year of the injury and the injured worker's average weekly wage. Most annuitant benefits are also subject to the Carey formula, which apportions total and permanent disability benefits between the ISIF and the employer/surety. Annuitant benefits generally are paid for life.

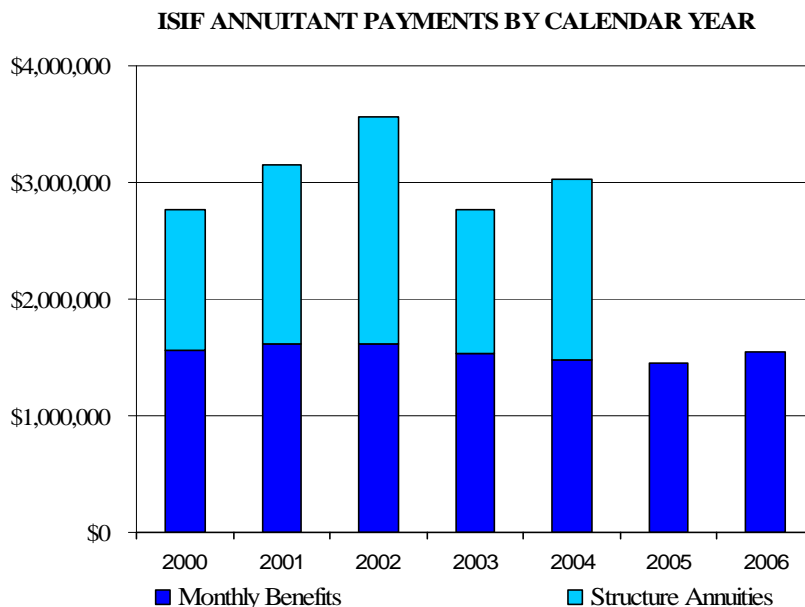
#### **2006 STATE AVERAGE WEEKLY WAGE**

Base of 45% ASW = \$244.35

Base of 60% ASW = \$325.80

Base of 67% ASW = \$363.81

ISIF ended the fourth quarter of calendar year 2006 with 120 annuitants receiving monthly benefits. Annuitant benefits paid in calendar year 2005 was \$1,447,166, with \$1,536,642 being paid in benefits for calendar year 2006. *Note:* During the period of 1999 – 2004, ISIF utilized structure annuities as a means to fund future annuitant monthly benefits.



Arrearage benefits may be owed upon settlement of a claim and prior to the commencement of monthly benefits. An arrearage is most likely to occur on judgment loss or consent to entry of judgment claims. Arrearage benefits paid in CY 2006 totalled \$13,081; with \$111,797 being paid in CY 2005.

#### MONTHLY ANNUITY & ARREARAGE BENEFIT

	1st Quarter 2006 *	2nd Quarter 2006	3rd Quarter 2006	4th Quarter 2006	CY 2006	CY 2005
Monthly Annuitant Payments	\$363,336	\$416,572	\$380,329	\$376,405	\$1,536,641	\$1,447,166
Arrearage Benefit	581	4,258	-	8,242	\$13,080	111,797
Total Benefit	\$363,917	\$420,830	\$380,329	\$384,647	\$1,549,722	\$1,558,963

\* adjustment of \$339

#### Settlement Benefits

Lump sum and lump sum/statutory benefits are the two types of settlement options. Lump sum benefits are one time only cash payments issued upon settlement of a claim. Lump sum/statutory benefits are settlements in which a lump sum payment may be made upon settlement; however, some form of future periodic benefit will also be paid.

#### LUMP SUM - SETTLEMENTS

	CY 2006	CY 2005
<b>Total Claims</b>	31	23
<b>Total Disbursed</b>	\$993,000	\$768,990

The average lump sum benefit paid in calendar year 2006 was \$32,032; which is approximately 4% lower than the average in calendar year 2005.

### CLAIMS ADJUDICATION

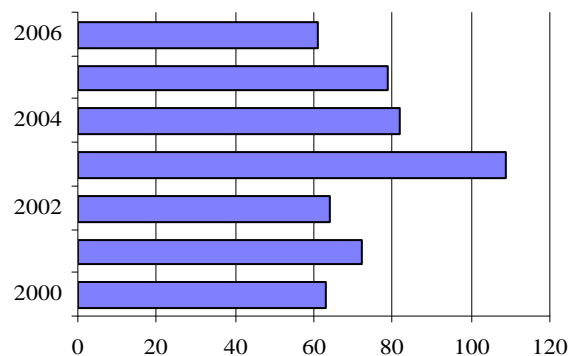
Claims adjudication is a two-fold process involving both the filing of a Notice of Intent (Informal) or Workers' Compensation Complaint Against ISIF (Formal) by claimants and/or employer/sureties alleging ISIF liability, and the final determination of those claims by result outcomes (non-merit, settlement or judgment loss).

#### New Claim Filings

New claim filings have stabilized over the past seven years with an average of about 75.7 filings per year. New claim filings in calendar year 2006 were approximately 22% lower than in calendar year 2005.

In general, these new claims represent potentially greater liability as workers compensation claims become more complex legally and medically, with economic downturns creating more difficult return to work issues.

#### NEW CLAIMS - CALENDAR YEAR



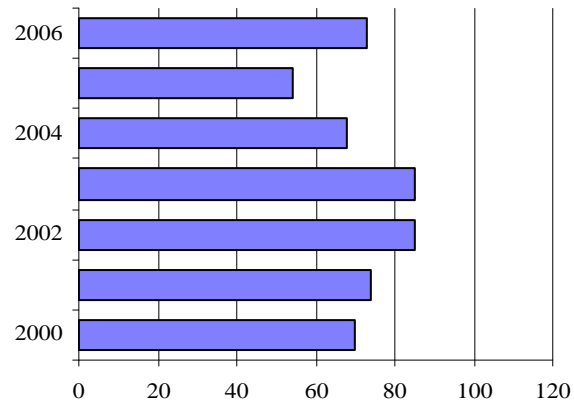
### *Closed Claims*

In CY 2006, 73 claims were closed; which represented a 26% increase in closed claims from CY 2005.

### *Result Outcomes*

In CY 2006, 100% of closed claims were non-merit and settled claims. In CY 2005, non-merit and settled claims accounted for 95% of the total closed claims.

### **CLOSED CLAIMS - CALENDAR YEAR**



### **LITIGATION COSTS ASSOCIATED WITH SETTLEMENT & JUDGMENT LOSS CLAIMS**

	LUMP SUM		LSS WITH STAT BEN		JUDGMENT LOSS	
	Number Claims	Litigation Cost	Number Claims	Litigation Cost	Number Claims	Litigation Cost
2001	31	193,216	2	5,347	1	11,870
2002	46	66,737	2	8,115	3	43,238
2003	35	106,178	1	984	3	40,499
2004	34	161,926	7	54,065	2	35,928
2005	23	\$147,735	4	\$31,200	2	\$22,440
FIVE YEAR - TOTAL	169	\$675,792	16	\$99,711	11	\$153,975
PRIOR FIVE YEAR - AVERAGE CLAIM COST BY RESULT		\$3,999		\$6,232		\$13,998
<b>2006</b>	31	\$208,691	3	\$13,981	0	\$0
AVERAGE CLAIM COST BY RESULT		\$6,732		\$4,660		

### **LITIGATION COSTS ASSOCIATED WITH NON-MERIT CLAIMS**

	DIS W/O		DIS W/P		JUDGE WIN	
	Number Claims	Litigation Cost	Number Claims	Litigation Cost	Number Claims	Litigation Cost
2001	4	28,206	1	7,313	9	161,758
2002	6	61,369	1	13,768	6	135,022
2003	2	2,643	1	259	2	38,194
2004	4	12,190	3	23,729	4	71,204
2005	7	\$34,894	0	\$0	5	\$44,500
FIVE YEAR - TOTAL	23	\$139,302	6	\$45,069	26	\$450,678
PRIOR FIVE YEAR - AVERAGE CLAIM COST BY RESULT	\$6,057		\$7,512		\$17,334	

2006	5	\$38,892	1	\$1,596	6	\$121,977
AVERAGE CLAIM COST BY RESULT	\$7,778		\$1,596		\$20,330	

*Result Outcomes Definitions:*

Non-Merit Claims

- Dismissal without Prejudice – Dismissal by the Industrial Commission but allows the claimant to sue again on the same cause of action.
- Dismissal with Prejudice – Final disposition of a claim by the Industrial Commission barring the right to bring another claim on the same cause.
- Judgment Win – Final decision by the Industrial Commission on a fully litigated claim determining no liability to the ISIF.
- Denied – An in-house denial of ISIF liability.

Settled Claims

- LSS – Lump Sum settlement agreement.
- LSS/Stat Bens – Lump Sum settlement that includes monthly benefits to be paid in the future.

Judgment Loss

- Judgment Loss – Final decision by the Industrial Commission on a fully litigated claim determining ISIF to have liability.

Appeal Affirmed

- Appeal from the Industrial Commission decision affirmed by the State Supreme Court

Appeal Reversed

- Appeal from the Industrial Commission decision reserved by the State Supreme Court

### *Litigation Cost*

Litigation costs are expended to numerous categories as bills are paid during a claim's adjudicated life. Once the adjudication process is completed, a report is submitted to the Industrial Commission reporting all litigation costs incurred during the life of the claim.

The average litigation cost for an active claim, at the end of the fourth quarter of calendar year of 2006, was \$6,374. At the end of CY 2006 there were 111 claims being litigated. The complexity of adjudicating claims today is clearly demonstrating an increase in litigation costs.

#### **LITIGATION EXPENDITURES QUARTER & CALENDAR YEAR**

	1st Quarter 2006	2nd Quarter 2006	3rd Quarter 2006	4th Quarter 2006	2006 YTD	2005 Total
7090-01 Attorney Fees	\$130,390	\$157,983	\$151,176	\$153,430	<b>\$592,978</b>	\$422,972
7090-02 Costs & Expenses	3,692	3,789	5,546	8,095	<b>21,121</b>	13,357
7090-03 Medical/Vocational Reprt	6,583	5,279	791	2,279	<b>14,932</b>	8,279
7090-04 Deposition Costs	6,727	5,673	7,160	6,478	<b>26,038</b>	18,414
7090-05 Investigations	-	1,500	4,282	-	<b>5,782</b>	1,606
7090-06 Research or Briefs	-	-	-	-	-	-
7090-07 Appeal Attorney Fees	-	0	-	-	-	1,281
7090-08 Appeal Costs & Expenses	-	0	-	-	-	40
7090-12 Medical Expenses (IME)	-	650	400	-	<b>1,050</b>	13,187
7090-13 Rehabilitation	2,969	13,844	7,649	19,690	<b>44,152</b>	16,362
7090-14 Adjuster Expenses	86	0	1,245	173	<b>1,503</b>	5,552
7090-15 Refund	-	-	-	-	-	-
Total Litigation Expenditures	\$150,447	\$188,718	\$178,249	\$190,145	<b>\$707,556</b>	\$501,049

(\*3rd Qtr P-Card Adjustment = \$111.00)

### **ADMINISTRATIVE OPERATIONS**

#### *Revenue*

The ISIF was dependent on a levy system for revenue funding prior to July 1, 1997. The levy was a percent of certain paid benefits assessed to insurance companies and self-insured employers on individual claims at the time of claim closure. Over time the levy was inadequate to provide the sustained revenue needs of the ISIF. Without a change in revenue funding, the ISIF would have been unable to satisfy its obligations in early 1998. The current revenue system creates a method of funding that is certain.

#### **ASSESSMENT FORMULA BASED ON FISCAL YEAR**

<b>Fiscal Year</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Total Expenditures	\$4,720,163	\$3,292,704	3,293,014.40
Cash Available			
As of 6/30	5,227,340	6,795,081	6,066,395.77
Assessment	\$4,212,987	-\$209,673	\$519,633

Formula: Two times total expenditures less cash available equals assessment.

#### *Expenditure*



The Industrial Special Indemnity Fund's administrative operating expenditures include salaries for three full time employees and general office expense. Benefit expense reflects all benefits paid in lump sum, arrearage or monthly annuitant payments. Total litigation costs; include all costs associated with claims adjudication such as attorney fees and costs, depositions, vocational rehabilitation and investigation. Benefit expense for CY 2006, year to date, were approximately 8% higher than in CY 2005, year to date.

#### REVENUE - EXPENDITURE REPORT

##### CALENDAR YEAR 2006

<b>Revenue</b>	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	CY 2006	CY 2005
Beginning Cash Available	\$ 7,654,293	6,760,981	6,066,396	5,279,738	<b>\$ 7,654,293</b>	<b>\$ 6,108,867</b>
Assess/Interest Actual	81,815	140,614	80,832	69,875	373,136	4,613,227
Misc Rev/Refunds	3,097	927	4,142	919	9,085	26,983
Total Cash Available	7,739,205	6,902,522	6,151,370	5,350,532	8,036,514	10,749,076
<b>Expenditure</b>						
Administrative	56,862	65,577	76,541	55,229	254,209	267,217
Benefits	770,916	581,830	615,329	574,647	2,542,722	2,327,953
*Litigation	150,447	188,718	178,360	190,145	707,669	501,049
Levy Refund					-	-
Total Expenditures	978,225	836,124	870,231	820,022	<b>3,504,600</b>	<b>3,096,221</b>
ISIF Annuitant			(1,402)		(1,402)	1,437
PCARD				(57)	(57)	
<b>Calendar Year 2006</b>						
Ending Cash Balance	6,760,980	6,066,396	5,279,738	<b>4,530,455</b>	<b>4,530,455</b>	<b>7,654,293</b>

#### REVENUE - EXPENDITURE REPORT

##### FISCAL YEAR 2007

<b>Revenue</b>	1st Quarter	2nd Quarter	2007 YTD	2006 YTD
Beginning Cash Available	\$6,066,396	\$5,279,627	\$6,066,396	\$6,795,081
Assessment/Levy/Interest	84,975	70,795	155,769	2,337,199
Total Cash Available	<b>\$6,151,371</b>	<b>\$5,350,422</b>	<b>\$6,222,165</b>	<b>\$9,132,280</b>
<b>Expenditure</b>				
Administrative	\$76,541	\$55,229	131,770	\$141,140
Benefits	615,329	384,647	1,189,976	1,052,104
Litigation	178,360	380,145	368,393	285,423
Levy Refund	-	-	-	-
Total Expenditures	<b>\$870,231</b>	<b>\$820,021</b>	<b>\$1,690,140</b>	<b>\$1,478,666</b>
ISIF Annuitant	1,513	57	1,570	(679)
<b>Fiscal Year 2007</b>				
Ending Cash Balance	<b>\$5,279,627</b>	<b>\$4,530,455</b>	<b>\$4,530,455</b>	<b>\$7,654,293</b>